

# IRS



## Fact Sheet

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### 2002 IRS E-FILE OPTIONS FOR FILING AND PAYING TAXES ELECTRONICALLY

"Options" is the keyword for IRS e-file in 2002 – options for filing, options for paying and options for getting a refund quickly. An ever-expanding number of Americans are choosing e-file options that let them easily file a tax return, pay a balance due, get an extension of time to file or make estimated tax payments without sending any paper to the Internal Revenue Service.

More than 40 million Americans chose IRS e-file options in 2001 -- 13.6 percent more than the year before. The IRS expects about 45 million e-filers in 2002, as more and more taxpayers who file through a computer or a telephone look for these benefits:

- **Faster refunds:** Direct Deposit can speed refunds to e-filers in as few as 10 days. The average e-file refund is issued in 14 days.
- **More accurate returns:** IRS computers quickly and automatically check for errors or other missing information, making e-filed returns more accurate and reducing the chance of getting an error letter from the IRS.
- **Quick electronic confirmation:** Computer e-filers receive an acknowledgment that the IRS has received their returns. Callers using TeleFile receive a confirmation number while they're still on the phone, letting them know that the TeleFile system has accepted their return.
- **Delete the Paperwork Through Electronic signatures:** Taxpayers can create their own Personal Identification Number (PIN) and file a completely paperless return using their tax preparation software or tax professional. There is nothing to mail to the IRS.
- **Easy payment options:** E-filers with a balance due can schedule a safe and convenient electronic funds withdrawal from their bank account, or pay with a credit card.
- **Federal/State e-filing:** Taxpayers in 37 states and the District of Columbia can e-file their federal and state tax returns in one transmission to the IRS. The IRS forwards the state data to the appropriate state tax agency. In 2001, more than 15.2 million taxpayers filed federal-state electronic returns in Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, Virginia, West Virginia, Wisconsin and the District of Columbia.

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## **E-FILE OPTIONS**

### **Using an Authorized Provider**

Computer filing through an authorized provider has been the core of e-filing since its debut in 1986. Using this method, tax professionals send clients' returns electronically to the IRS. Some prepare their client's return and send them, others take returns prepared by their clients, enter the data, then send it to the IRS.

- Authorized providers filed 28.9 million returns in 2001, a 14.9 percent increase.

### **Using a Personal Computer**

Taxpayers with a computer, a modem or Internet access and tax preparation software can e-file their tax returns from home any time, day or night. To do so, a taxpayer sends a completed, electronic tax return to a transmitter. The transmitter converts the file to an IRS-approved format and then sends the converted return file to the IRS. Within 48 hours, the IRS notifies the taxpayer through the transmitter whether or not the return is accepted.

- In 2001, more than 6.8 million taxpayers – an increase of 36 percent – e-filed their returns from home.

The IRS Web site at [www.irs.gov](http://www.irs.gov) has a list of companies offering online filing software, as well as direct links to firms with low- or no-cost e-filing options.

### **E-Filing By Phone**

For those who are eligible, TeleFile, the IRS file-by-phone system, is the easiest way to file a return.

- In 2001, 4.4 million people used TeleFile instead of filling out Form 1040EZ.

Potentially eligible TeleFile users get a special tax package from the IRS that invites them to file their taxes quickly and easily by phone. Instead of tax forms, the package has a worksheet that, when completed, becomes the taxpayer's TeleFile Tax Record. This record includes a Customer Service Number that serves as an electronic signature. The package also contains a checklist the taxpayer uses to ensure their eligibility. Then, all the taxpayer does is fill out the worksheet call the toll-free number, and follow the step-by-step instructions.

TeleFilers can take advantage of Direct Deposit for a refund, or authorize an electronic funds withdrawal to pay taxes, by entering their checking or savings account number. Refunds arrive in half the time it takes for a paper return. For an electronic funds withdrawal, the taxpayer decides when the money is taken from their account, so they can file their return early and pay later by the April 15, 2002, deadline.

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**Extension of Time to File by Phone**

Anyone who filed a tax return last year can use the phone to request an automatic extension of time – to August 15, 2002 – to file his or her tax return. This system will operate from March 1 to April 15, at 1-888-796-1074. Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, has details on required information and explains how to pay a balance by phone.

Telephone filers get a confirmation number at the conclusion of their call, telling them that their return or extension request has been accepted.

**Federal/State TeleFile:** Taxpayers in six states can e-file both their federal and state returns with a single phone call to the IRS TeleFile number. West Virginia and Maryland are new this year, joining Georgia, Indiana, Kentucky and Oklahoma. Only taxpayers who receive both federal and state TeleFile packages can use the combined TeleFile system.

- In 2001, 219,805 taxpayers filed their state and federal tax returns with a single phone call.

**ELECTRONIC SIGNATURES – SELF-SELECT PERSONAL IDENTIFICATION NUMBERS**

Paperless filing using a self-selected personal identification number, or PIN, is easy and it's available to most taxpayers who file electronically. For those who use a self-select PIN, there's nothing to sign and nothing to mail – not even W-2 forms. Paperless filing is available to those who prepare their own returns using tax preparation software or those who use a tax professional. On a joint return, two PINs are required, acting as electronic signatures for both people.

The self-select PIN program started in 2001.

**Using a personal computer:** Using tax preparation software, an income tax return is completed, and when prompted, the taxpayer enters a five-digit PIN, that serves as an electronic signature. The taxpayer can choose any combination of five numbers except five zeros. To authenticate the taxpayer's identity, the software asks for the taxpayer's Adjusted Gross Income (AGI) from last year's tax return. The taxpayer then enters their date of birth. Software packages may vary, however, and particular packages should be consulted for more details about the self-select PIN.

**Using an electronic return preparer:** Those using a tax professional can sign their return electronically by completing an e-file signature worksheet. The worksheet authorizes an electronic return preparer to enter a taxpayer's PIN as a signature.

- 4,759,963 taxpayers asked their return preparers to input their self-select PIN in 2001.
- 4,293,085 taxpayers used self-select PINs using their personal computer in 2001.

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## **E-PAYMENT OPTIONS**

There are two ways to pay taxes electronically – by authorizing an electronic funds withdrawal from a checking or savings account, or by using a credit card. E-payments can be used to:

- pay taxes owed on a 2001 income tax return;
- to pay projected tax due when requesting an automatic extension of time to file; or
- to pay an estimated tax payment for Tax Year 2002 when e-filing a return.

The IRS has entered into partnerships with private industry, including credit card processors and tax preparation software developers, to make these electronic payment options available.

- More than 640,000 people paid their federal taxes by electronic funds withdrawal or credit card during 2001.

### **Electronic Funds Withdrawal**

Electronic funds withdrawal is free and the taxpayer decides when the tax payment is withdrawn from their account. Electronic funds withdrawal is only available to those who e-file, either by computer or by phone. A taxpayer may file early and schedule the withdrawal as late as April 15, 2002. For returns filed after April 15, the payment is effective on the filing date.

A 2002 estimated tax payment can be made through electronic funds withdrawal only when filing a 2001 tax return via computer, whether or not there is a balance due on the return. The estimated tax payment may be the one due in April, June or September. Only one estimated tax payment can be made through electronic funds withdrawal. This payment cannot be made by phone.

- 363,602 taxpayers paid their taxes through electronic funds withdrawal, an increase of 53 percent.

### **Credit Card Payments**

Taxpayers can make credit card payments through tax software, by phone.

- In 2001, 284,811 taxpayers paid by credit card, an increase of 31 percent.

The IRS does not set or collect any fees for credit card payments, but the private sector companies the IRS has authorized to process these payments do impose convenience fees. The tax payment sent to the U. S. Treasury and the convenience fee is listed separately on the cardholder's credit card statement.

Some tax software developers offer integrated e-file and e-pay combinations for those who want to pay a balance due with a credit card. The software transmits both the electronic tax return and the credit card information to the company, which forwards the tax data to the IRS and the credit card data to a payment processor.

The IRS has authorized two companies to accept credit card charges from both electronic and paper filers: Official Payments Corporation and PhoneCharge, Inc. Each company has its own fee schedule and each offers both phone and Internet payment services. Anyone may use these services to charge taxes to an American Express, Discover Card or MasterCard account. A person can file early and wait until April to make the credit card charge.

The "Electronic Services" section of the IRS Web site – [www.irs.gov](http://www.irs.gov) – has more information about IRS e-file, the self-select PIN, private sector partnerships and electronic payments.

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